

2002



Annual Report



CAISSE DES DÉPÔTS GROUP

Profile

39,770 employees

**Consolidated
balance sheet 2002
€349 billion**

**Consolidated
net income 2002
€710 million**

Caisse des Dépôts et Consignations is a major French public-sector institution. It was established in 1816 to safeguard private deposits which required investment in low risk securities. It has worked with French authorities since then to carry out that charge, using the deposits to fund advances in the country's social and economic development and to modernize its financial system.

Caisse des Dépôts has become a powerful financial group and fund manager, conducting both public-sector and open-market activities. Total balance sheet assets amount to €349 billion. It manages saving funds exceeding €209 billion and, through its CDC IXIS Asset Management subsidiary, third-party assets of nearly €300 billion. Caisse des Dépôts operates under the supervision of an independent Supervisory Board composed of representatives of the French Parliament, the Judiciary and the Treasury, and the Governor of the Banque de France, the country's central bank.

In line with its overall strategy, Caisse des Dépôts Group has implemented a restructuring plan that includes the separation of public-interest activities from competitive businesses. Caisse des Dépôts Group now has an optimal structure with which it can express its values and realize its ambitions. Public-interest activities have been strengthened and the competitive businesses have been grouped together into three major subsidiaries. The first of these is EULIA, a financial institution 50.1% – owned by Caisse des Dépôts and 49.9% – owned by Caisse Nationale des Caisses d'Épargne, which groups together the two owners' competitive banking businesses, including in particular the investment banking and financing unit, CDC IXIS. The other two subsidiaries are CNP Assurances and C3D.

Caisse des Dépôts Group had consolidated net income of €710 million in 2002. Its own investment activities accounted for 45% of this total, while the three competitive businesses accounted for the remaining 55%.

While remaining open to other partnership arrangements in Europe, Caisse des Dépôts Group, through its CDC IXIS and CNP Assurances subsidiaries, has a natural calling to work in partnership with Caisses d'Épargne and La Poste as they change and expand their competitive financial activities.

The objective of C3D and its subsidiaries is to ensure the continued growth of their mature businesses by transferring them to the private sector or opening their capital to the market. Caisse des Dépôts Group has already begun this process with respect to three subsidiaries, namely Compagnie des Alpes, Médica France and Egis Port. It will continue to support its other subsidiaries that provide services and support for local development so that they reach the required critical size in their markets, which have become European or global in scale.

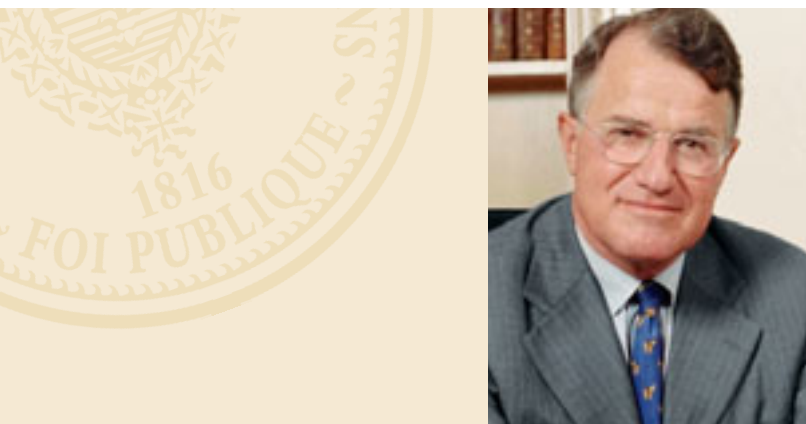
Caisse des Dépôts Group



Caisse des Dépôts, 56, rue de Lille – Paris

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Message from the Chairman of the Supervisory Board



2002 was a year of consolidation for the public-interest missions and competitive businesses of Caisse des Dépôts Group in a difficult and uncertain economic environment.

The economic slowdown that began in 2001 became more pronounced, as France's average annual GDP growth fell to 1% and growth in the euro zone was a meager 0.7%.

Meanwhile, the financial risks in the banking sector increased as a result of the economic weakness. Balance sheet restructurings, cost reduction efforts and the postponement or even cancellation of investment projects by companies all weighed heavily on the economy. Lastly, the main stock market index in France plummeted by more than half from its 2000 highs, with the CAC 40 falling from 6 600 in August 2002 to 3 064 at the end of the year.

In 2002, Caisse des Dépôts Group recorded consolidated net income of €710 million, down 49% from the previous year. Excluding non-recurring items, consolidated net income totaled €1,280 million, down 8% from the €1,390 million recorded in 2001.

The Public Institution contributed €227 million to consolidated net income, down from the €631 million contribution in 2001 as a result of substantial impairment provisions charged against the portfolios. EULIA, CNP Assurances and C3D accounted for 68% of this figure.

The dividend paid to the State totaled €0.35 billion.

For its public-interest missions, Caisse des Dépôts continued to expand its three business activities. As a public investor, the company made private equity investments of €448 million on behalf of national and local public policy initiatives (urban renewal, business start-ups, local and regional development and new communications and information technologies).

The fund management business was characterized by an increase in the average volume of regulated deposits as well as enhanced productivity in the area of retirement fund management. However, income from the overall savings fund management business fell sharply to €527 million, less than one-fourth the previous year's figure. This decline was due to the relatively high interest paid on depositors' accounts and a lower return on the assets.

The Supervisory Board would like to see the recommendations put forth by Messrs Nasse and Noyer in their report implemented as soon as possible.

Finally, in the lending business, Caisse des Dépôts pursued its financing activities on behalf of public housing and urban renewal.

EULIA's net income of €142 million was down 68% relative to 2001. This performance reflected the financial market downturn that negatively affected the activities of CDC IXIS.

CNP Assurances turned in an above-average performance relative to the personal insurance market, as premiums earned rose by 6.2%.

C3D maintained its positions, with revenue up 23% and a €107 million contribution to consolidated net income, up 43% relative to 2001.

The role of the Supervisory Board, which was renewed in September 2002, is to ensure that Caisse des Dépôts is managed in an extremely prudent manner.

It ensures that the financial statements are accurate, and oversees the protection of savings funds and the institution's good governance.

Philippe Auberger

Message from the Chairman and Chief Executive Officer



Last year, Caisse des Dépôts recorded consolidated net income of €710 million, a 49% decrease in a deteriorating financial market environment. Excluding non-recurring items such as provision charges for the equity portfolios and accelerated goodwill amortization, consolidated net income fell by only 8%. This reflects the sound performance of the Caisse des Dépôts Group's competitive businesses, which accounted for 55% of consolidated net income.

In early 2003, Caisse des Dépôts developed its new five-year strategic plan in conjunction with the French government and Parliament represented by the Supervisory Board. This plan reaffirms the legitimacy of a large, State-owned public institution focusing exclusively on the public interest at both the national and local levels and operating in a now totally privatized banking and financial landscape. The planned changes will have to respect three principles: preserving the State's ownership interests; enhancing the strategic interests of our businesses; and maintaining social responsibility through the fair and equitable treatment of the men and women who make up the company.

Caisse des Dépôts will refocus its public-interest missions on the major challenges facing the country. It will work on behalf of financial decentralization. Indeed, the local and regional governments are looking to Caisse des Dépôts to serve as a qualified and impartial advisor and investor. They seek support for their development projects, especially in the areas of regional venture capital, local and regional digital infrastructure, urban renewal and the fight against social exclusion. As retirement systems evolve, the company must also become the benchmark fund manager for the governmental and quasi-governmental retirement systems. The company will mobilize its technical and financial expertise in order to help develop public/private partnerships aimed at financing large-

scale public works. Finally, it will assist the government in the area of public housing, especially by helping to promote home ownership.

EULIA, which consolidates the company's competitive businesses, must be recast in order to create a sustainable and balanced alliance with the Caisses d'Epargne Group. Currently, EULIA is in need of fundamental changes, greater financial transparency and a more efficient operating structure. We must work with the Regional Savings Banks to redefine a workable company that will create value for our financial business, notably CDC IXIS, and that is open to French and European partnerships.

CNP Assurances has proven the success of its development model. Now we must consolidate the gains made to date by stabilizing the shareholders' agreement between Caisse des Dépôts, the Caisses d'Epargne and La Poste. We must also provide further support for the company's European expansion.

Our goal for C3D is to ensure the continued growth of its subsidiaries that have reached maturity, either through a transfer to the private sector or a public offering. Caisse des Dépôts has already begun this process for three subsidiaries: Compagnie des Alpes, Médica France and Egis Port. We will continue to support the development of our other engineering and local and regional government services companies. Our goal is to enable them to reach critical mass in their markets, which have become European or global in scope. In this capacity, Caisse des Dépôts is once again playing its traditional role as an incubator for business activities.

Within five years, Caisse des Dépôts will have solidified its position as a major financial institution focused on safeguarding the savings and retirement funds of French citizens. It also aims to be a major player in financial decentralization on behalf of the local and regional governments. As a natural partner of the Caisses d'Epargne and La Poste, the company will support their changes and the development of their own competitive financial activities even as it remains open to European partnerships.

Once again, Caisse des Dépôts will adroitly serve the country's needs and, while remaining true to its traditional values, will reconcile the long-term goals and changes with current reforms.

Francis Mayer

Key figures 2002

Consolidated income statement and balance sheet

Consolidated net income: €710 million, down 49% relative to 2001.⁽¹⁾

In 2002, Caisse des Dépôts Group recorded consolidated net income of €710 million, down 49% from €1,390 million in 2001.

The severe financial market downturn caused Caisse des Dépôts and its financial subsidiaries to record substantial provisions on its equity portfolios, in keeping with its traditional prudential practices. Last year, Caisse des Dépôts alone recorded provisions on medium-term portfolio securities of €0.9 billion, of which provisions of €0.8 billion were non-recurring.

At the same time, as early as the first half of 2002, Caisse des Dépôts recaptured €259 million in FGBR provisions established during the period of rising markets from 1998 to 2000.

In this depressed financial market environment, EULIA conducted an audit in late December 2002 at the request of Caisse des Dépôts. The findings of this audit led CDC IXIS Asset Management to record non-recurring amortization of intangible and tax assets created by the October 2000 acquisition of CDC IXIS Asset Management North America (formerly Nvest). This represented approximately 13% of the total assets concerned and reduced Caisse des Dépôts Group's consolidated net income by €0.2 billion.

Excluding these three items⁽²⁾, consolidated net income for the

Caisse des Dépôts Group totaled €1,280 million, a decrease of 8%. Net banking income fell by 6.7% to €4.8 billion last year, compared with €5.1 billion in 2001. This decrease was mainly due to the provision charges recorded by Caisse des Dépôts on its long-term equities portfolio. After adjusting for the non-recurring portion of these charges, NBI rose by 8.3% to €5.6 billion, which reflects the company's favorable operating performance.

Gross income from operations fell by 40% to €1.1 billion, compared with €1.9 billion in 2001. Aside from the decline in NBI, this decrease resulted from increased administrative expenses, which were mainly due to the following:

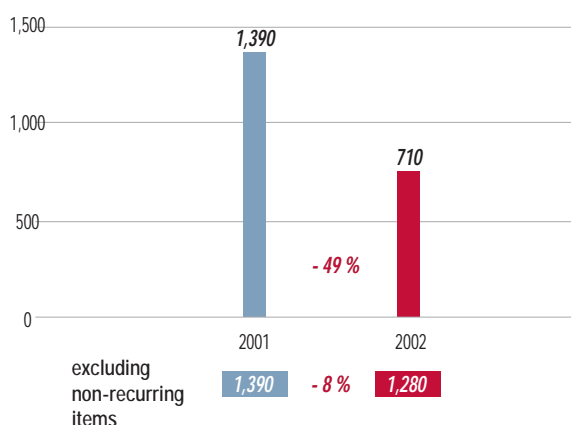
- An enlarged consolidation scope: Integration of CNCE's financial activities within CDC IXIS on the one hand, and of Caixa Seguros in CNP Assurances on the other;
- The absence of substantial provision write-backs in 2002 compared to 2001, when substantial reversals were made for such non-recurring provisions as the completion of the euro conversion, Y2K and the creation of CDC IXIS.

Overall, the Group share of retained earnings (including the FGBR) totaled €13.2 billion as of December 31, 2002.

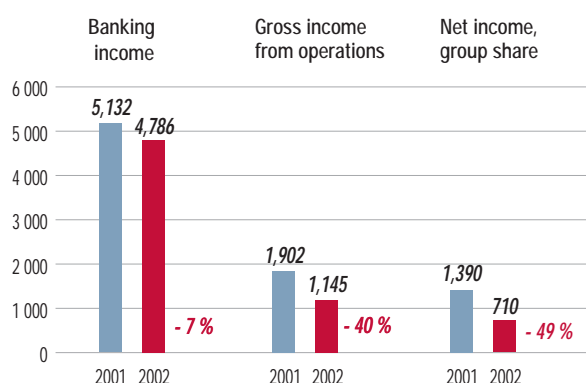
Caisse des Dépôts Group posted a 3.4% ROE in 2002, based on 100% of the Tier 1 capital. Excluding non-recurring items, ROE was 9.2%.

Based on these results, Caisse des Dépôts Group will pay a dividend of €0.35 billion to the State.

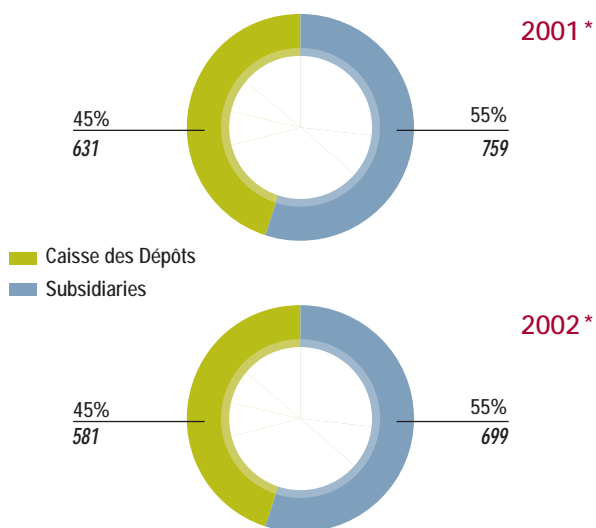
**Net income, group share
(€ millions)**



**Financial highlights
(€ millions)**



Breakdown of net recurring income (group share) (€ millions)



* Excluding non-recurring items

Caisse des Dépôts⁽³⁾: (32% of net income, group share)

The contribution of Caisse des Dépôts totaled €227 million, down 64% from €631 million in 2001.

Excluding non-recurring charges related to the long-term equities portfolio, the contribution by Caisse des Dépôts fell by 7.9% to €581 million. This decrease was largely due to the absence of substantial capital gains on fixed assets last year. In 2001, several capital gains were realized, in particular those arising from adjustments to ownership interests for CNP Assurances and for Sanpaolo IMI's acquisition of an equity interest in CDC IXIS.

Excluding the three non-recurring items, the relative contributions of Caisse des Dépôts and its subsidiaries remained unchanged from 2001 to 2002.

(1) Accounts restated to reflect the EULIA transaction.

(2) Non-recurring provision charges on medium-term portfolio securities (net total of €614 million), recaptures from Caisse des Dépôts' FBGR (€259 million); accelerated amortization of goodwill recorded on the acquisition of Nvest (€216 million).

(3) Includes the results of the technical subsidiaries (Informatique CDC), the subsidiaries and affiliates responsible for public-interest missions (CDC PME, BDPME, CDC Kineon) and affiliates in the real estate section.

Consolidated balance sheet (€ millions)

	12/31/2002	12/31/2001
Assets		
Interbank and similar transactions	128,980	119,865
Customer transactions	34,454	30,486
Bonds, equities, other fixed and variable income securities	83,573	81,495
Investments of insurance companies	63,332	60,033
Long-term equity holdings, shares in related undertakings, other long-term investments	4,053	4,039
Tangible and intangible fixed assets	5,557	5,323
Goodwill on acquisition	896	1,152
Accruals, deferrals and other assets	28,346	25,860
TOTAL	349,191	328,253
Liabilities		
Interbank and similar transactions	126,740	115,918
Customer transactions	43,658	47,974
Debt securities	51,199	43,049
Technical provisions of insurance companies	60,840	57,741
Accruals, deferrals and other liabilities	50,458	46,826
Goodwill on acquisitions	11	22
Provisions for risks and charges	829	761
Subordinated debt	1,315	1,352
Fund for general banking risks (FGBR)	676	948
Minority interests (excluding FGBR)	962	718
Group share of retained earnings (excluding FGBR)	12,503	12,944
TOTAL	349,191	328,253

Consolidated income statement (€ millions)

	2002	2001	Proforma
Net banking income	4,785	5,333	5,131
Operating expenses	(3,408)	(3,189)	(3,018)
Net amortization, depreciation and provision charges	(232)	(211)	(212)
Gross income from operations	1,145	1,933	1,901
Cost of risk (net appropriation to provisions)	(79)	(41)	(47)
Net income from operations	1,066	1,892	1,854
Net income from investments accounted for by the equity method	36	58	69
Gains or losses on fixed assets	31	186	191
Net recurring income before income tax	1,113	2,136	2,114
Net non-recurring income	6	1	22
Income tax	(377)	(585)	(557)
Net amortization of goodwill on acquisition	(231)	(77)	(69)
Net increase in FGBR	266	(45)	(62)
Minority interests	(87)	(73)	(58)
Net income, group share	710	1,357	1,390

Life insurance: CNP Assurances (33% of net income, group share)

CNP Assurances fared well despite the difficult market environment. It outperformed the life insurance market, with a 6.2% increase in premiums earned to €18.4 billion and a 7.3% increase in average assets under management.

Net income recorded by CNP Assurances totaled €571 million, which represented an 8.1% increase over 2001 recurring net income and a 13.1% ROE. CNP Assurances' contribution to Caisse des Dépôts Group net income totaled €234 million, a decrease of 6% following the non-recurring items recorded in 2001. Despite the depressed equity markets, the company's fundamentals held up very well: embedded value fell only slightly to €42 per share, compared with €43.5 per share as of December 31, 2001.

Investment banking and financing: EULIA - CDC IXIS (20% of net income, group share)

Last year was marked by the establishment and organization of EULIA, a joint subsidiary of Caisse des Dépôts Group and Caisse d'Epargne Group.

The EULIA division, including the Caisse des Dépôts' direct equity interest in CDC IXIS and its ownership interest in CNCE, contributed €142 million to the Group share of net income, a 68% decrease relative to 2001.

This performance is largely a reflection of the financial crisis that created a particularly difficult and unstable market environment for CDC IXIS.

Two factors therefore weighed on this subsidiary's results:

Caisse des Dépôts Group employees (at 12.31.2002)

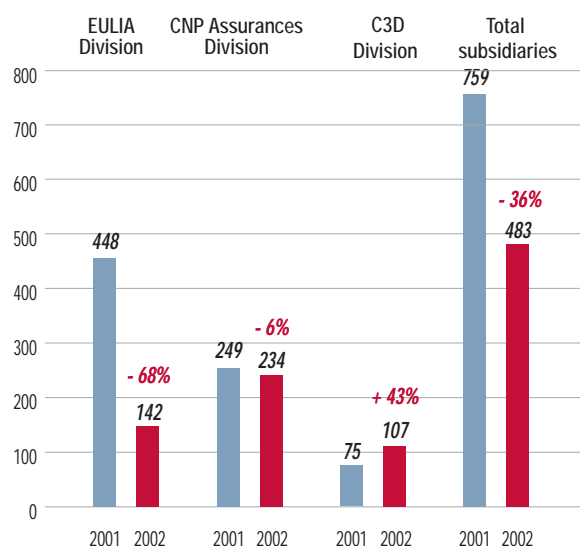
	2002	of which foreign subsidiaries
Financial activities	16,960	3,070
of which Compagnie Financière EULIA, CDC IXIS and subsidiaries	5,440	2,090
of which CNP Assurances	3,550	990
C3D and services subsidiaries	22,810	4,060
TOTAL	39,770	7,130

- the decision to scale back the divestment program for listed equities, owing to the unfavorable market environment, was accompanied by substantial provision charges related to the marketable securities and private equity portfolios;
- the negative impact of the economic downturn on valuations of asset management companies resulted in additional, non-recurring amortization of intangible and tax assets of CDC IXIS AM North America for a total charge of €299 million recorded by CDC IXIS AM.

Excluding these effects, which caused a sharp decline in CDC IXIS's contribution to the earnings of Caisse des Dépôts Group (€51 million in 2002, compared to €319 million in 2001 on a *proforma* basis), it should be noted that the company's businesses continue to perform well despite the unfavorable market environment, as evidenced by the 15% increase in their net banking income.

Moreover, the contribution from EULIA's subsidiaries other than CDC IXIS (Crédit Foncier de France, Ecureuil Vie, Ecureuil IARD, EULIA Caution, etc.) rose by 35% to €146 million, compared with €108 million in 2001. Crédit Foncier de France accounted for the bulk of this gain.

Breakdown of net income (group share) by subsidiary (€ millions)



Engineering services and support for local and regional development: C3D (15% of net income, group share)

With revenue up 23% to €2.3 billion and consolidated net income, up 16% to €100 million, C3D confirmed its favorable performance. ROE stood at 14.1% prior to the end-2002 capital increase subscribed by Caisse des Dépôts to go along with Scic's acquisition of the EMGP shares held by CDC IXIS.

C3D's contribution to consolidated net income rose by 43% to €107 million in 2002.

Consolidated and company financial statements

The financial statements for the company and the consolidated Group, which are established in accordance with generally accepted bank accounting standards and certified by independent auditors, consolidate all the activities except for the savings and pension funds managed by Caisse des Dépôts at a cost price. Separate balance sheets and income statements are prepared for these funds.

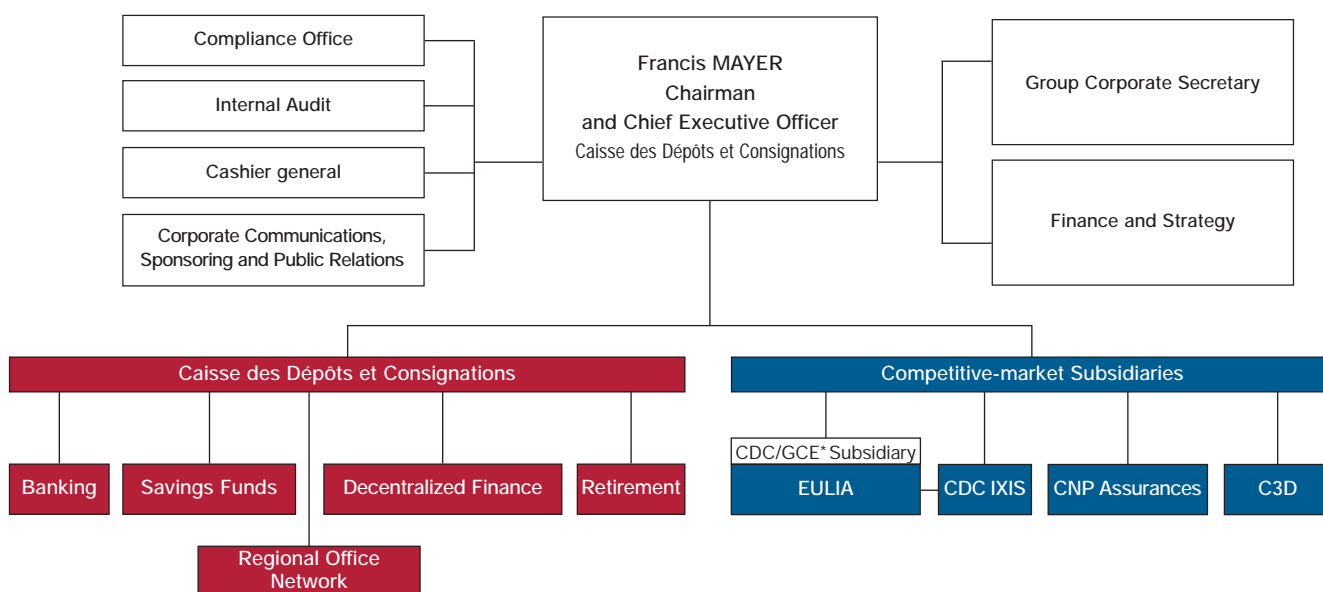
Consolidated total assets rose by €21 billion to €349 billion, an increase of 6.4% on the year. Contrary to 2001, none of last year's balance sheet changes resulted from changes in

consolidation scope. The contributions to consolidated assets broke down as follows:

– EULIA	61% at €213 billion
– Caisse des Dépôts (Central Sector)	19% at €68 billion
– CNP Assurances	19% at €65 billion
– C3D	1% at €3.3 billion

After factoring in net income for the year (€710 million), dividends paid during the year (€925 million) and changes in consolidated reserves of €226 million (of which, €243 million reflecting the currency translation reserve related mainly to the U.S. subsidiaries), consolidated retained earnings totaled €12.5 billion (excluding FGBR).

Organization of Caisse des Dépôts Group – July 2003



* Caisse d'Epargne Group

Socially responsible investment and sustainable development: a company-wide process

Beginning in 1999, Caisse des Dépôts Group made a commitment to promote socially responsible investment and sustainable development.

In an introductory report on social responsibility published in 2002*, the Group examined the progress it had made to that point.

The strategic parameters of the process

Promoting socially responsible investment (SRI)

Together with the Caisse d'Épargne Group, Caisse des Dépôts Group began promoting SRI in 1997 through the establishment of Arèse, the first French non-financial ratings agency. Last year, EULIA contributed Arèse to Vigeo, which marked a further step toward this objective. Vigeo plans to become a European leader in evaluating and rating corporate socially responsible and environmental performance. Its aim is to provide innovative, transparent and reliable services, with so-called declarative ratings for investors and solicited ratings for listed and unlisted corporations and market indices.

A pioneer in SRI, CDC IXIS Asset Management took top honors in the first-ever ranking of the best-known socially responsible investment managers in France conducted by Amadeis and Novethic (June 2002). The panel was also asked to rate the best-known socially responsible investment funds. Insertion

Emplois came in first, while CDC euro 21 and Nord Sud Développement finished 7th and 9th, respectively, out of 54 funds.

The Retirement Reserve Fund, which is administered by Caisse des Dépôts, uses social, environmental and ethical considerations in its strategic orientations and investment policies.

Working on behalf of local and regional sustainable development and social cohesion

Social cohesion and local and regional sustainable development are intimately linked. They require investments and initiatives directed at fighting social exclusion along with urban renewal, job training for youths, public/private partnerships and an understanding of the expectations of all stakeholders. Working in a decentralized framework for local and regional sustainable development also involves mastering the environmental impact of the Group's activities.

As part of its public-interest missions, Caisse des Dépôts reached an agreement in principle with the French government to maintain a French registry of greenhouse gas emissions. In order to ensure the market's initial development, Caisse des Dépôts proposed implementing a private

equity investment program to acquire gas emission credits that would help to finance projects limiting CO₂ emissions. CDC IXIS was also retained by the European Commission to assist with the drafting of European regulations on the maintenance of greenhouse gas quota and trading registries by Member States.

In addition, FIDEME ("Fonds d'investissement de l'environnement et de la maîtrise de l'énergie") was created and is managed by CDC IXIS. This fund is the product of a public/private partnership that includes ADEME, the French environmental and energy conservation agency, and European financial institutions. Its mission is to finance multi-million euro projects in renewable energies and waste recycling through quasi-equity. At end-December 2002, CDC IXIS and Banca OPI (Sanpaolo IMI Group) closed the subscription period. As part of the urban renewal program, two initiatives were launched in 2002. A ratings screening process was implemented that will make it possible to determine the full breadth of sustainable development factors as well as the call for urban renewal projects containing a strong environmental component.

Socially responsible management involves standardization of processes, the implementation of control measures and the existence of good governance. The management of the CNRACL and ATIACL pension funds, as well as the governance of IRCANTEC and FONPEL, were recertified in 2002, while the certification process was under way for the quality of all the FSPOEIE and SASV services.

Scetauroute (Egis Group) and STAB (Transdev Group) also received ISO 14000 certification last year.

* Report downloadable from www.caissedesdepots.fr

In the follow-up sessions of the Johannesburg summit, Caisse des Dépôts took initiatives on the guarantee and equity financing of NGOs. Similarly, the company aims to cooperate with CSR Europe to promote the concept of social responsibility among small businesses and to develop partnerships between businesses and social agencies.

A process applied to management

Promote human capital

In order to overcome demographic imbalances and to compensate for a future shortage of skilled employees within the Group, two major labor agreements were negotiated with the trade unions:

- the agreement on mobility within the financial Group (Caisse des Dépôts, CDC IXIS, CNP Assurances, Informatique CDC). This agreement is intended to offer a broader range of career opportunities to all employees by facilitating individual and voluntary job mobility in these divisions;
- the new framework agreement within the Public Institution. Negotiated with nearly all the trade unions, this agreement factors in the age structure and promotes employee training and retention. Upwardly mobile career opportunities will be offered and even-handed treatment of public- and private-sector employees will be strengthened. The agreement also contains measures to smooth the transition from the active work environment to retirement and to facilitate projects related to non-profit organizations, new company start-ups and company acquisitions.



Caisse des Dépôts also developed a three-year plan on behalf of handicapped workers, which was approved by all the trade unions.

As part of the implementation of the reduced workweek agreement, an agreement instituting a time bank was negotiated for the Public Institution.

A committed management

An Executive Committee seminar that looked into this process decided to develop a three-year program to define its Group-wide parameters and review specific commitments by businesses in order to integrate sustainable development in the Group's strategic planning.

CDC IXIS appointed a Sustainable Development Manager and developed an action plan. C3D also appointed a manager to coordinate the process. The Group's Secretary General's Office defined the objectives for each of its management units, while the management of the Deposits, Savings and Public Financing business line met to define the next stage in the implementation of the strategies in the priority public-interest investment programs.

Within the Group's real estate activities

The Group has also factored environmental considerations into its real estate management by patterning it after the "high environmental quality" benchmark for its properties in the Tolbiac commercial zone (ZAC) in Paris.

It undertook decentralized steps such as an environmental audit of the Bordeaux branch of the Public Institution, the employee business travel plan and the establishment of a waste treatment facility at its Arcueil office. ■

Caisse des Dépôts, long-term institutional investor

Caisse des Dépôts is a long-term institutional investor. It owns strategic assets, finances public-interest programs and invests its resources in financial assets to promote economic development. Upon closer analysis, these investments break down into financial investments, real estate and forestry investments and investments in unlisted assets. Proprietary investments, excluding cash investments, totaled €30 billion as of December 31, 2002.

Caisse des Dépôts' investor activity is also carried on in the framework of its savings fund management mandate.



Financial investments

Gross proprietary equity investments made by Caisse des Dépôts totaled €1.8 billion in 2002. As of December 31, 2002, the net book value was €9 billion, almost exclusively invested in European equities. The bond portfolio is divided into two categories, each corresponding to a different investment strategy. The investment portfolio is designed to hold securities over the long term, while the available-for-sale portfolio has a shorter-term investment and performance horizon.

As of December 31, 2002, the investment portfolio totaled €14.8 billion, unchanged from the previous year. Gross purchases barely offset redemptions.

The bulk of this portfolio is made up of fixed-interest investments; a small but growing share is nevertheless invested in inflation-indexed bonds. The available-for-sale portfolio, excluding short-term cash

investments, is less substantial at €2.7 billion. These two portfolios comprise highly rated European fixed-income instruments for the most part.

Real estate and forestry investments

Caisse des Dépôts owns a real estate investment portfolio managed in accordance with long-term investment objectives. The book value of this portfolio totaled approximately €1.6 billion as of December 31, 2002. Gross investments in 2002 totaled €180 million. The main transactions involved commercial real estate funds, logistics funds and some selective investments in the office market. In addition, renovation work continued on the residential real estate portfolio.

Overall, the portfolio remains largely dominated by assets based in France, despite some new investments in Europe in recent years.

Caisse des Dépôts also owns forestry

assets with a net book value of nearly €80 million (including indirect holdings). A few sale and purchase transactions were made in 2002 as part of portfolio adjustments (purchase of enclave lots, for example).

Investments in unlisted assets

Caisse des Dépôts also invests in unlisted assets and venture capital funds (outside the CDC PME division).

In 2002, the main investment involved the acquisition of a stake in TDF (Télédiffusion de France) for €135 million.

Moreover, €15 million was invested in funds as part of a diversification and long-term investment strategy. ■

Risk management

Risk management is adapted to the Group's decentralized organization structure, and is coordinated by Central Control in accordance with the principles governing internal control.

The Risk and Capital Funds Committee, presided by the Chief Executive Officer, approves the positions and decisions taken by the Group regarding risk.

This Committee also decides all major investments and divestments whenever they exceed certain thresholds. In 2002, the Committee examined 27 major projects.



Risk management networks within the Group

Financial risk

The Group's consolidation scope grew through the creation of EULIA. It also includes Crédit Foncier de France and Ecuireuil Vie. The overall credit strategy aims to preserve the quality of the proprietary trading portfolios, which remain largely made up of euro zone issues rated at least AA. The market risk is concentrated in the CDC IXIS Capital Markets subsidiary and is assessed through an internally developed model.

Ex post audits are carried out regularly. They have confirmed the validity of the models used.

Operational risk

Progress has been made in the area of risk assessment and monitoring, with the goal of complete conformity with Basel II. Risk mapping is in the process of being finalized in all the Group's entities. The

establishment of an event database resulted in the first operational tools in certain sectors of the Public Institution and of CDC IXIS, which will be applied to other sectors.

In terms of accounting, the main challenge in 2002 was the overhaul of the organization structure and IT system, which was successfully implemented in early 2003.

The IT systems security manager network (RSSI) was very active and finalized 16 security directives.

Finally, regarding continuity of operations, specific attention was paid to flood-damage risks from the Seine.

Risk management within Caisse des Dépôts

Portfolio risk management

The Central Sector and Savings Funds perform their own balance sheet management and have defined their own risk limits, but a single joint department oversees portfolio risk management. After having focused on the portfolio

→ The Group's consolidation scope: the creation of EULIA

The Group's consolidation scope for risk management was substantially enlarged through the creation of EULIA.

The Risk Department was created when the company began operations in early 2002. It coordinates the work of the risk committees, on which the Caisse des Dépôts Group Risk Department and CNCE Risk Department in particular are represented.

counterparty risks and subsequently on market risks, last year the department sought to enhance its coverage of ALM risks through regular meetings of the Assets-Liabilities committees.

Deposits, Savings and Public Financing Division (DEFP)

Risk management is the responsibility of the Deputy Chief Executive Officer, who chairs the Risks and Results Committee.



→ **Economic environment: managing credit risk**

In a time of rising credit risk last year, the counterparty risk management and control measures performed satisfactorily: reduced exposure, elimination of certain limits and positions, if necessary; closer monitoring of certain counterparties, etc. In a very turbulent environment, no major counterparty defaults occurred.

→ **Regulatory environment: Basel II and IAS standards**

Beginning in April 2002, the impact of the new accounting and regulatory standards on the Public Institution and the Caisse des Dépôts Group was studied.

The decentralization principle was confirmed, as EULIA, CDC IXIS, CNP Assurances and C3D took responsibility for carrying out the impact studies, while Caisse des Dépôts simply coordinated these initiatives with its own study.

Written guidelines for financing commitment procedures were completed, in particular for communicating investment decisions. A major portion of the commitments database is operational. The first batch will be completed in the fall of 2003; the minimum capital requirements calculation for Basel II will be available in 2004.

Retirement Administration Division

The risk management services of the two branches (Angers and Bordeaux) were consolidated into a single entity, and the Angers site conducted the first encouraging tests of the event database.

Risk management in the subsidiaries

EULIA

Last year, the Group focused on the establishment of EULIA's Risk Department, which covers credit, market and operational risk. This department's purpose is to establish a coordinated risk management policy for the Alliance entities and to oversee its implementation. The efforts to integrate and harmonize the risk management methods will pave the way for reforms needed to implement Basel II, first by taking advantage of the Group's skills centers and second by further developing the synergies among the various Alliance entities. Under the subsidiarity principle, each entity controls its own risk management policy under the overall authority of EULIA.

CDC IXIS

The Risk Department is responsible for implementation of the risk policy defined by the Executive Board of CDC IXIS and the constant and regular monitoring of all risks to which CDC IXIS and its subsidiaries are exposed. The scope of the risk management activities has been stabilized through the integration of the market activities of Caisse Nationale des Caisses d'Epargne (CNCE) and the North American activities.

Preparations for Basel II are under way in a project mode through close cooperation with EULIA.

In this context, a first operational version of an event database was finalized.

CNP Assurances

Risk management is performed by each business line, based on the management structures in place, with a quarterly risk committee meeting attended by the Executive Committee.

The risk management system proved its mettle during the acquisition of Caixa Seguros in Brazil through careful currency risk management.

In terms of ensuring continuing operations, CNP Assurances has a full range of procedures that are tested regularly.

C3D

The Risk Department's main tasks include:

- mapping out the operational risks, which was completed in 2002;
- reporting major risks;
- coordinating the work of the crisis unit and the network of risk managers at the business line level;
- centralizing information and providing advice to the business lines on insurance issues.



July 2003

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Chairman and Chief Executive Officer
Caisse des Dépôts et Consignations

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JEAN-PIERRE MENANTEAU

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